Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on	)	
Universal Service	)	
AT&T Request to Contribute to	)	WC Docket No. 96-45
Universal Service Based on	)	
Projected Revenues	)	

COMMENTS OF VERIZON WIRELESS

The FCC should again reject AT&T's request to contribute to Universal Service based on projected revenues. The Commission properly denied the same request from AT&T barely a year ago. Switching to a projected revenue basis (with true-ups) would add complexity and uncertainty to the Universal Service assessment process, a step that AT&T has failed to justify with any factual support. Moreover, the FCC is conducting a comprehensive review of the Universal Service assessment process, and is considering fundamental changes to the current contribution mechanism. The FCC should complete that rulemaking, which will provide a record on these issues, before making additional changes to the present revenue – based system.

I. AT&T Provides No Factual Support for its Request to Change the Assessment Process

AT&T claims that the six month period between the assessment of revenues and the recovery of its contributions is causing it to increase its assessments on residential consumers to approximately 11.5%. AT&T asserts that this lag problem is the result of a declining interstate and international revenue base. However, AT&T has failed to provide critical facts to support the need for its proposal.

- AT&T failed to attach data supporting or explaining the rate of its alleged decline in interstate and international revenues.

- AT&T failed to disclose how it is recovering its Universal Service assessment from its various classes of customers, and whether it has options other than increasing the percentage it charges to residential consumers.

- AT&T failed to explain how it determined its 11.5% assessment factor and whether it would pass through all of the savings from its proposed change directly to its residential customers.

What is clear from AT&T's proposal is that it would decrease its responsibility for Universal Service (while increasing the responsibility of other carriers and their customers) and that it would complicate the assessment process. AT&T has not even tried to explain why a shift in contribution burden would be "equitable and non-discriminatory" as required by the Telecom Act.[1] There is no factual or legal basis to grant this proposal.

II. ATT's Proposed Switch to Projected Revenues Would Impose Undue Administrative Costs

The present Universal Service assessment and collection system is already burdensome for carriers. Carriers must provide quarterly reports to the USAC, along with a fifth, annual report. Given the current fluctuations in the telecommunications market, and the very nature of the market whereby carriers' revenues fluctuate due to new offerings, competition, economic trends, and other factors, it would be exceedingly difficult and time consuming for carriers to project revenues with a high degree of accuracy. Calculating projected revenue is inherently more difficult than reporting actual revenues that have been booked. Since not all revenue is taxable, carriers would need to make separate projections for different types of revenue, resulting

[1] 47 U.S.C. 254(d).

in additional complexity and uncertainty. Moreover, basing Form 499 data upon projected revenues would require the use of more carrier resources to develop projections, perform the inevitable true-up calculations and reporting corrections, and to explain differences between projected and actual data.

A system based on projected revenues also would be prone to gaming by carriers who would benefit from "low-balling" projected revenues, and delaying the full payment of legitimate contribution obligations. Unlike actual revenues, projections could range dramatically depending on the assumptions employed by carriers. A carrier's best projection would be linked closely to its most recent actuals (and reflect much of the same "lag" effect as the current system). In addition, some carriers' projected revenues could reflect confidential marketing strategies, which may prompt requests for special confidentiality procedures. To correct for any errors and minimize collection delays from under-reporting, the FCC would have to bolster the existing "true-up" process, possibly by increasing the frequency of true-ups from yearly to monthly. This step would impose additional paperwork and staffing burdens on carriers and the USAC.

This additional burden is not justified, given that the FCC just last year adjusted the assessment and collection process to decrease the "lag" from one year to six months, and in so doing, rejected requests from AT&T and others to adopt assessment schemes based upon current and projected revenues.[2] In rejecting a current revenue methodology, the FCC concluded that it would be "unduly burdensome on carriers, particularly smaller carriers" and that it might "affect the sufficiency of the universal service fund and require the collection of a reserve fund to

[2] *See* In the Matter of Federal-State Joint Board on Universal Service, Petition for Reconsideration filed by AT&T, CC Dkt. No. 96-45, Report and Order on Reconsideration, March 9, 2001.

protect against a fund shortfall."[3] The FCC rejected projected revenue approaches, because the "costs they would impose would outweigh any potential benefits," and they would "create incentives for carriers to under-report revenues" or otherwise game the system.[4] The FCC concluded that projected revenue proposals could "unduly increase the costs of administering the universal service mechanisms."[5] Given the problems inherent in current and projected revenue approaches, the FCC instead decreased the lag from twelve months to six months.

The FCC found that the six-month methodology would be "relatively easy to administer and implement" and would enable the USAC to ensure that submissions are accurate without substantial auditing or enforcement procedure changes.[6] Given these recent, definitive findings, the FCC would need a very strong factual basis to reject its recent conclusions and adopt a projected revenue system. AT&T has failed to provide any factual support for such a change.[7]

III. The Commission Should Only Consider AT&T's Request in the Context of Its Comprehensive USF Rulemaking

The FCC presently is considering major changes to the contribution and assessment methodologies in its contribution NPRM. It would be a waste of carrier resources to develop new projected revenue-based procedures while the Commission evaluates an entirely different assessment and collection approach. In fact, even if AT&T could provide a factual basis for its request, there is no evidence that a cure cannot wait until the end of the Commission's comprehensive review of the Universal Service contribution options. It is important that the

---

3 *Id*. at 16 FCC Rcd. 5754.
4 *Id.*
5 *Id.*
6 *Id*. at 5753.
7 *See Fox Television Stations, Inc. v. FCC*, 280 F. 3d 1027 (D.C. Cir. 2002) finding a Commission decision that was inconsistent with recent Commission decisions to be arbitrary and capricious because it failed to provide a reasoned basis for the change. AT&T has failed to provide any facts upon which the FCC could make a reasoned decision to adopt a projected revenue approach that it so recently rejected.

Commission consider a comprehensive record that provides evidence of the potential impact of the various contribution alternatives on all carriers' customers.

With its request, AT&T is yet again seeking to shift its Universal Service burden to others, including wireless carriers and customers. For the same reasons the Commission rejected AT&T's request before, it should reject it again.

Respectfully submitted,

VERIZON WIRELESS

John T. Scott, III
Vice President and Deputy General Counsel
Regulatory Law

By: Anne E. Hoskins
Anne E. Hoskins
Regulatory Counsel
1300 I Street, NW – Suite 400 West
Washington, DC 20005
(202) 589-3770

Its Attorneys

April 12, 2002

Certificate of Service

I hereby certify that on this 12th day of April copies of the foregoing “Comments of Verizon Wireless” in WC Docket 96-45 were sent to the following parties:

Sheryl Todd
Accounting Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, SW – Room 5-A422
Washington, DC 20554
(sent via hand-delivery)

Qualex International
Portals II
445 12th Street, SW – Room CY-B402
Washington, DC 20554
(sent via e-mail)

Sarah E Weisman

Sarah E. Weisman